



Report to the Auburn City Council

Action Item

Agenda Item No. 13

City Manager Approval

To: Mayor and City Council Members

From: Jack Warren, Director of Public Works *gw*
Bernie Schroeder, Engineering Division Manager *BS*
Megan Siren, Administrative Analyst *MS*

Date: March 23, 2009

Subject: Wastewater Treatment Plant Improvement Project

The Issue

Shall the City authorize the onsite wastewater treatment plant improvement project?

Conclusion and Recommendation

Staff recommends that City Council:

BY RESOLUTION, Proceed with conventional financing for the onsite wastewater treatment plant improvement project; and

BY MOTION, Authorize the Director of Public Works to advertize the onsite wastewater treatment plant improvement project.

Background

On February 23, 2009, the City Council directed staff to finish the engineering design work for the onsite improvements to the wastewater treatment plant and defer advertising. The design should be completed by March 15, 2009. Once we have finalized the approach on funding, the City would be able to advertise the project.

The regional project still remains a long term goal for the City, but in order to remain on schedule and in compliance then the City must pursue the onsite Wastewater Treatment Plant Improvement Project

The American Recovery and Reinvestment Act (ARRA) of 2009 forwards stimulus funds to the State Revolving Fund (SRF) program which funds wastewater treatment projects. The ARRA monies will not be available to the City without putting the City one whole construction season behind. Currently the State has stated that they will fund Tier 1 projects currently on the SRF list with ARRA funding, the City's onsite wastewater improvement project is not included on the Tier 1 list. The State Water Resources Control Board does not expect to finalize a list of projects for the ARRA funds until the end of June. Due to the ARRA, the State is revising the "normal" SRF process with anticipation of the State Water Resources Control Board to make the final

determination on the process changes in the middle of March. The State has stated that they have money for the annual SRF process in addition to the ARRA – SRF funds that they expect to receive.

Financing Options and Recommendation:

As a means to fund the Wastewater Treatment Facility Upgrade Project, staff evaluated several different financing options available to the City. Financing options considered include:

1. State Water Resource Control Board (SWRCB) revolving loan program (SRF)
2. City of Auburn Sewer Revenue Bonds – Conventional Bond Funding
3. State Revolving Fund - ARRA Funding

State Revolving Fund**Pros:**

- New rules could extend the financing term from 20 to 30 years

Cons:

- Requires a bridge loan
- Requires payment of a one-time, 0.5% administrative fee and an annual fee based on principal balance
- May require additional changes to the plans and specifications which would delay the project
- State review process may delay advertising/awarding the project
- States financial uncertainty and ability to pay progress payments on-time are unpredictable
- The “new” rules may take time to be incorporated into the process further delaying the process
- The ability to receive an additional time extension on our NPDES permit to allow for the SRF process to work is unlikely.

Conventional Bond Funding**Pros:**

- Adequate and necessary funding available at a competitive rate
- Financing completed within 60 to 90 days
- City maintains control over the funding
- No one-time or annual fees (bond issuance costs are amortized into the cost of financing)
- Upgrade project schedule remains intact

Cons:

- If the City decides to pursue conventional bond financing, the chances of receiving ARRA funds/grants are highly improbable.
- Cost of financing may be higher than that available through the SRF

Upon evaluation of each financing alternative, staff determined that issuing City of Auburn Sewer Revenue Bonds is most advantageous to the City, resulting in:

- Availability of upgrade project funds when needed;
- Competitive cost of financing upgrade project through issuance of bonds – 5.5% - 6.5% depending on credit and insurance for bond financing versus 2.5% - 3.5% for SRF financing
- Debt service repayment period of up to 30 years;

- Ability to sculpt financing requirements to best meet City's needs; and
- Demonstrated fiscal strength of City with its ability to issue debt on its own.

Staff anticipates bringing forward for Council approval separate agreements authorizing use of financial advisor / bond underwriter and bond counsel services in April 2009. It is further anticipated that a bond sale could be completed prior to the end of the current fiscal year.

With the recommended proposed financing the existing sewer rate structure would not need to be changed.

Environmental Clearance

On August 25, 2008, the City Council approved the Initial Study and Mitigated Negative Declaration for the onsite Wastewater Treatment Plant Improvement Project.

Regional Project

The Regional Project has had little progress during the last few months, but the City of Lincoln still remains a willing participant should either the City or the County or both elect to build the Regional Project. Because of the economic slowdown, Lincoln is not pressing for immediate action as they were 6 months ago.

Alternatives Available to Council; Implications of Alternatives

1. Proceed with Staff Recommendation
2. Do not proceed with staff recommendation

Fiscal Impact

At the beginning of fiscal year 2007-08, Sanitary Sewer System User Fees were increased consistent with City Council direction pursuant to completion of a rate study. Rate increases implemented in July 2007 included a component for anticipated debt service payments required from a financing of the Wastewater Treatment Facility Upgrade.

The fiscal year 2008-09 operating budget anticipates approximately \$2.7 million could be available for the upgrade / regionalization effort - a portion or all of which could be used to offset the amount financed.

1 RESOLUTION NO. 09-
2 RESOLUTION REGARDING CITY'S WASTEWATER TREATMENT PLANT
3 IMPROVEMENT PROJECT.
4 -----

5 THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

6 That the City Council of the City of Auburn does hereby authorize to
7 direct staff to proceed with conventional financing for the onsite wastewater
8 treatment plant improvement project

9
10 DATED: March 23, 2009

11 _____
J.M. Holmes, Mayor

12 ATTEST:

13 _____
14 Joseph G. R. Labrie, City Clerk

15
16 I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
17 that the foregoing resolution was duly passed at a regular session meeting of
18 the City Council of the City of Auburn held on the 23rd day of March 2009 by
the following vote on roll call:

19 Ayes:

20 Noes:

21 Absent:

22 _____
Joseph G. R. Labrie, City Clerk
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